

## **E. Residential and Small Business Services**

### **Specification 18:**

According to pages 37-51 of the Public Interest Statement, the most significant competition for mass-market customers will come from facilities-based intermodal competitors that do not rely on the traditional wireline network, but instead use intermodal technologies such as cable and wireless.

- a. For each Verizon franchise area provide: (1) the number of residential resold lines; (2) the number of residential UNE-P lines; (3) the number of residential UNE-L lines; (4) an estimate of the number of competitively deployed access lines used to serve residential customers by a competitive local exchange carrier (including, but not limited to, cable telephony providers) (*i.e.*, using E-911 listings); (5) an estimate of the number of residential customers that exclusively subscribe to wireless service instead of wireline local exchange and long distance service; and (6) an estimate of the residential customers relying upon VoIP for all of their voice telecommunications needs. Of the residential customers identified in response to specification 18.a (5)-(6) identify the number of customers of MCI and Verizon. Provide an explanation of how the estimates for the responses to specification 18.a (4)-(6) were determined.

### **Response to Specification 18(a):**

Confidential Exhibit 18(a), (b), and (d) (redacted) sets forth the information requested in specification 18(a)(1)-(3). MCI incorporates by reference Verizon's response to specification 18(a)(4)-(6), and, upon clarification from FCC staff, further provides documents Bates numbered MCI\_FCC\_18\_000001 *et seq.*

- b. For each incumbent LEC franchise area, provide: (1) the number of residential presubscribed interstate carrier access lines regardless of whether MCI or Verizon is the residential customer's local exchange carrier; (2) the number of residential originating intrastate toll minutes and originating domestic interstate toll minutes, separately for MCI, Verizon, and an estimate for all minutes; (3) total revenues for intrastate toll and domestic interstate toll services provided to residential customers separately for MCI, and Verizon, and an estimate for all revenues; and (4) the total number of residential access lines for which MCI or Verizon is a local exchange carrier, and the number of these lines for which the presubscribed interstate long distance carrier is MCI, Verizon, AT&T, SBC, Sprint, BellSouth, Qwest, or another long distance carrier.

### **Response to Specification 18(b):**

Confidential Exhibit 18(a), (b), and (d) (redacted) sets forth the information requested in specification 18(b).

- c. For each state in which Verizon operates as an incumbent LEC, describe the state regulation, if any, that applies to a residential local and long distance service bundle.

Response to Specification 18(c):

Pursuant to the instructions set forth in paragraph 20 of the Request, MCI need not respond to Specification 18(c).

- d. For each incumbent LEC franchise area, state separately for MCI and Verizon the number of residential customers that subscribe to a combined local and interexchange plan at a flat monthly rate, separately for plans with unlimited interexchange minutes and plans with a bucket of interexchange minutes.

Response to Specification 18(d):

Confidential Exhibit 18 (a), (b), and (d) (redacted) sets forth the number of residential customers that subscribe to an MCI combined local and interexchange plan at a flat monthly rate.

The data distinguishes among plans with unlimited interexchange minutes and plans with a bucket of interexchange minutes in the following manner. The section of Confidential Exhibit 18(a), (b), and (d) headed "Complete" identifies the number of customers subscribing to MCI's "Neighborhood Complete" product, which includes unlimited local and long distance calling. The section of the exhibit headed "BOT" (or "Block of Time") identifies the number of customers subscribing to two different MCI services: the "Neighborhood Advantage 200" plan, which includes unlimited local and 200 minutes of all-jurisdiction long distance minutes; and the "Neighborhood Connect 500" plan, available since March 1, 2005, which includes unlimited local calling and 500 minutes of all-jurisdiction long distance minutes. The section of the exhibit headed "Other" describes all other local products, including both grandfathered and actively sold products that do not have unlimited long distance or a long distance BOT component.

Specification 19:

According to page 47 of the Public Interest Statement, "MCI's participation in the mass market will consist largely of serving its dwindling legacy customer base and managing its decline as a provider of mass market services." Describe Verizon's plans with respect to residential customers that currently subscribe to MCI's services outside of Verizon's region if the merger is approved. Provide documentation to support the response.

- a. Explain how the merged entity would comply with applicable rate integration and geographic rate averaging requirements of section 254 if the merger is approved.
- b. Explain how MCI will be operated in those states within Verizon's region where section 272 obligations have not yet sunset, if the merger is approved.
- c. According to page 68 of the Public Interest Statement, Verizon has made a decision to discontinue or not expand its offering of long distance prepaid calling cards. For prepaid calls sold to residential customers, provide separately for Verizon and MCI intrastate toll and domestic interstate toll resellers of MCI or Verizon, and an estimate for all providers: (a) originating intrastate toll and domestic interstate toll minutes and (b) revenues. For purposes of this specification, revenues should represent the amounts paid by the end-user customers and should correspond to amounts reported to the IRS for federal excise tax purposes. Provide documents in the possession of MCI employees David Skogen, Patricia K. Proferes, and Melina Formisano; and Verizon employees John D. Broten and John Havens which discuss competition for prepaid calling cards, pricing strategies for prepaid calling cards, and MCI's market share of prepaid calling card minutes or revenues.

Response to Specification 19:

MCI incorporates by reference Verizon's response to subparts (a) and (b) of this specification.

In response to subpart 19(c), virtually all of MCI's prepaid card business consists of the sale of prepaid cards to other companies for retail sale to consumers. MCI receives and tracks its revenues from the sale of prepaid minutes to wholesale customers. It has no knowledge of the end-user retail revenues generated by the cards, and its data accordingly do not relate to amounts reported to the IRS for end-user services.

Confidential Exhibit 19(c) (redacted) provides a breakdown by quarter over the last five quarters of wholesale revenue from MCI's prepaid card services.

Confidential Exhibit 19(c) also provides the number of minutes of the service sold by MCI, broken down by interstate and intrastate calls. MCI has no responsive

information about the number of prepaid card minutes sold by other market participants.

The requested documents are Bates numbered MCI\_FCC\_19\_000001 *et seq.*

## **F. Asserted Public Interest Benefits**

### **Specification 20:**

Pages 10-18 of the Public Interest Statement and paragraphs 31-35 of the Bamberger, Carlton, and Shampine Declaration discuss the general benefits, savings, and efficiencies that will result from the merger, including, but not limited to: (1) providing a full range of communications services to enterprise customers nationwide and around the globe at an accelerated pace; (2) the reinforcement of assets that play a critical role in national defense and homeland security; (3) new products for mass market customers arising from the integration of MCI's global IP network and products and Verizon's deployment of fiber-to-the-premises; (4) enabling the combined company to provide wholesale services more efficiently; (5) cost reductions stemming from the elimination of duplicative network facilities, staff, information and operation systems, lower procurement costs, etc.; (6) increased enhancement and innovation; and (7) the development and deployment of "seamless mobility" services.

- a. Separately describe each of these asserted benefits or efficiencies, as well as any efficiencies from any and all other sources arising from the integration of MCI's and Verizon's network and operations not specifically identified above, including:
  - (1) The steps that MCI and Verizon anticipate taking to achieve the benefit or efficiency, the risks involved in achieving the benefit or efficiency, and conditions for achieving it, and the time and costs (to your company or any other person) required to achieve it;
  - (2) A quantification of the benefit or efficiency and a detailed explanation of how that quantification was calculated;
  - (3) A detailed explanation of how the proposed transaction would allow the merged company to achieve the benefit or efficiency;
  - (4) A description of why the merger is necessary to achieve this benefit or efficiency.

### **Response to Specification 20(a):**

MCI incorporates by reference Verizon's response to this specification.

- b. For efficiencies that involve cost savings, state separately the one-time fixed costs savings (in total dollars), recurring fixed cost savings (in dollars per year), and variable cost savings (in dollars per unit, *e.g.*, minutes of use, subscribers). Explain in detail how these cost savings are aggregated up to the \$7 billion net present value cost saving estimate as discussed, *e.g.*, on page 15 of the Public Interest Statement.

### **Response to Specification 20(b):**

MCI incorporates by reference Verizon's response to this specification.

- c. Explain whether the research and development ("R&D") (*e.g.*, investment in critical network infrastructure or advanced IP services) will be at least as large as the sum of R&D spending of the applicant firms before the merger, and whether the combined output from the combined R&D programs of the merged firm will be increased or un-reduced.

Response to Specification 20(c):

MCI incorporates by reference Verizon's response to this specification.

- d. Provide all documents and an electronic copy of all data used in calculating Verizon's \$7 billion estimate of the net present value of the savings which would be achieved through the merger, as stated on page 15 of the Public Interest Statement. Explain the extent to which the \$7 billion estimate is dependent upon the transition to a converged, IP-based broadband network as discussed, *e.g.*, on page 17 of the Public Interest Statement.

Response to Specification 20(d):

MCI incorporates by reference Verizon's response to this specification.

Specification 21:

Pages 15-18 of the Public Interest Statement discuss how the merger will increase the incentive of the merged company to “. . . bring increased investment to critical network infrastructure and accelerate the delivery of innovations to all consumers.” The Public Interest Statement claims: “The combined companies’ integrated IP network and expertise will not only enable the combined company to provide services more efficiently, but also to add new features and functions more quickly, and ultimately to deliver them faster and more efficiently to mass-market and larger business customers alike.”

- a. Quantify the benefits to residential, small business, large business, wholesale, and government customers of developing an integrated IP network, and provide a detailed explanation of how the quantifications were calculated.
- b. Describe why the merger is necessary for MCI or Verizon to achieve these benefits for residential, small business, large business, wholesale, and government customers.

Response to Specification 21:

MCI incorporates by reference Verizon’s response to this specification.

Specification 22:

Please explain how the asserted synergies resulting from the merger are likely to affect national security and homeland defense.

Response to Specification 22:

MCI incorporates by reference Verizon's response to this specification.



**G. General Information**

**Specification 23:**

Provide all documents cited in the Public Interest Statement and the Bamberger *et al.*, Crandall & Singer, Bruno & Murphy, Taylor, Lew & Lataille, Hassett *et al.*, Lataille, Smith, Buchanan, Lack & Pilgrim, Huyard, McMurtrie, Powell & Owens, Cerf, Tarazi, and Kende declarations, as well as any data or competitive analyses relied upon in preparing those documents, grouped by declaration/Public Interest Statement.

**Response to Specification 23:**

MCI has produced responsive documents Bates numbered MCI\_FCC\_23\_000001 *et seq.* relating to the Huyard, McMurtrie, Powell & Owens, Cerf, Tazari, and Kende declarations.

Specification 24:

To the extent not otherwise provided in response to this Information and Document Request:

- a. Submit the following MCI documents: market studies, procurement strategies, pricing strategies, competitive strategies, product strategies, merger integration strategies, and marketing strategies (whether prepared internally or by outside advisors) relating to services sold to business, wholesale, and residential customers, as well as any competitive analyses or studies prepared expressly for MCI (whether prepared internally or by outside advisors) that discuss competition between MCI and Verizon for business, wholesale, or residential customers in the possession of Vinton Cerf, John Dziak, Philip G. Meeks, Jarrett Appleby, Nancy Gofus, Linda Mills, Thomas Ikegami, Ralph R. Montfort, Jr., Janel Crabtree, Suleiman Hessami, John Vasina, Jacquelyn A. Whiting, Pavan Bhalla, Patricia Proferes, Thomas Graham, Paul Bobeczko, Margaret Hallbach, James Myers, Michelle Fauntleroy, Melina Formisano, Ronald J. McMurtrie, Nicholas Ridolfi, David C. Gray, Blair Crump, Joseph Cook, Charles (Jack) Norris, John Krummel, John Nunziata, Craig Venable, Rick Wells, Stephen Young, and Claire Shields.

Response to Specification 24(a):

The documents responsive to this request are Bates numbered

MCI\_FCC\_24\_000001 *et seq.*

- b. Submit the following Verizon documents: market studies, procurement strategies, pricing strategies, competitive strategies, product strategies, merger integration strategies, and marketing strategies (whether prepared internally or by outside advisors) relating to services sold to business, wholesale, and residential customers, as well as any competitive analyses or studies prepared expressly for Verizon (whether prepared internally or by outside advisors) that discuss competition between MCI and Verizon for business, wholesale, or residential customers in the possession of Michael Boches, Caroline Galand Ward, Michelle Russey McCarthy, Stephen W. Micciche, Michael Hassett, Kathy Koelle, John D. Broten, John Havens, Marilyn O'Connell, Judy Verses, John Killian, Ronald H. Lataille, Michael Daigle, Harry J. McMahon, Scott Pierce, Veronica Pellizzi, Anthony Recine, Kathleen Sullivan, Shelley Murphy, Shawne Angelle, Jeffrey E. Taylor, Eric J. Bruno, Jay A. Behrens, Kimberly G. Lessner, Joseph Lucatorto, Steven G. McCully, Claire Beth Nogay, David Small, Mark C. Griffith, Quintin Lew, Thomas D. Maguire, Jeffrey A. Masoner, Susan Fox, Mark L. Heinold, Kathryn Kalajjian, and John D. Pricken.

Response to Specification 24(b):

Pursuant to the instructions set forth in paragraph 20 of the Request, MCI need not respond to Specification 24(b).

In the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

**RECEIVED**  
MAY 27 2005  
Federal Communications Commission  
Office of Secretary

In the Matter of

Verizon Communications Inc. and  
MCI, Inc. Applications for  
Approval of Transfer of Control

)  
)  
)  
)  
)

WC Docket No. 05-75

**RESPONSE OF MCI, INC.  
TO THE COMMISSION'S MAY 5, 2005,  
INFORMATION AND DOCUMENT REQUEST**

**REDACTED - FOR PUBLIC INSPECTION**

No. of Copies rec'd. 071  
List ABCDE

May 26, 2005

To the extent that the following responses contain information not required by the Initial Information and Document Request, MCI is providing such information on a voluntary basis.

**A. Enterprise Services**

**Specification 1:**

On pages 19 and 20 of the Public Interest Statement, Verizon states that the Commission should not distinguish between large and medium business customers because they “share many relevant characteristics” – they “tend to be served under individual contracts and marketed through direct sales contracts” and both “often demand advanced . . . features” and “greater volumes of minutes.” (Citations omitted.) In order to better understand the characteristics of enterprise customers, provide the following:

- a. Define “enterprise market” and “mass market,” as well as “small business customer,” “medium-sized business customer,” and “large business customer.” Explain the specific characteristics that distinguish each class of business customers from the others (*e.g.*, revenue size; employee size; telecom needs; other criteria).

**Response to Specification 1(a):**

MCI incorporates by reference Verizon’s response to this specification.

In addition, MCI notes that it has several sales categories for business customers. Customers are segmented by sales channel based on type of customer, geography, and service requirements.

MCI has two primary organizations responsible for sales to business customers other than governmental entities and carriers: the Global Accounts group and the Commercial Markets group. Both groups are part of a larger organization called U.S. Sales and Service, which also includes a group responsible for sales to government customers. MCI’s groups responsible for sales to carriers and to business customers outside the United States are in MCI’s Wholesale and International organization.

**Global Accounts:** Global Accounts is currently responsible for the largest multinational customers. The annual billings of these customers range from \$2 million to \$180 million. The group has accounts in the United States and in three international regions.

**Commercial Markets:** Commercial Markets sells the entire range of MCI services: voice; data; local; and value-added services like conferencing and security services.

The group is organized into three segments: (1) enterprise; (2) mid-market; and (3) small business. Enterprise or corporate customers are companies with at least 1,000 employees and multiple locations, and spend at least \$2-3 million per year on telecommunications and related services. Mid-market customers have 100-999 employees, are national or regional in scope, and spend over \$10,000 per year on telecommunications and related services. Small businesses have less than 100 employees and buy primarily commodity services; most of these accounts are handled through telemarketing by the Customer Account Management ("CAM") group.

Very small business customers are handled outside the Commercial Markets group through the same telemarketing group responsible for residential customers. These businesses typically have fewer than 20 employees and spend less than \$500 per month on telecommunications and related services.

**Government Markets.** Government Markets customers include all federal government agencies, large state accounts and quasi-governmental customers (such as the World Bank). MCI's Commercial Markets segment supports cities, counties, and other governmental entities.

**System Integrators.** MCI's System Integrators segment consists of customers that resell MCI services combined with their own information technology ("IT") services and equipment. System Integrators offer end-user customers a complete outsourcing alternative.

**International.** The International group serves businesses, government entities, and telecommunications carriers outside the United States. With only limited exceptions as specified in text, revenue and circuit information for MCI's International Group is not included in MCI's responses.

- b. Explain whether there are similar distinctions among classes of wholesale customers based on particular characteristics (*e.g.*, size; type of wholesale services; other criteria). If so, define those classes of wholesale customers.

Response to Specification 1(b):

MCI does not draw distinctions among wholesale customers for marketing, sales, or service purposes similar to those it draws for its retail customers. MCI services all wholesale customers through its Wholesale and International organization. MCI's wholesale segment consists of sales to facilities-based carriers, switchless resellers, data center operators, Web hosting companies, Internet Service Providers, and other companies that use MCI's network-based services for resale on a standalone basis or as a component of that company's finished service.

- c. Separately for MCI and Verizon, list the number of your customers to which you provided \$5 million or more in services during 2004 and the percentage of your revenues accounted for by these customers, and the number of your customers to which you provided \$1 million - \$4,999,999 in services during 2004 and the percentage of your revenues accounted for by these customers.

Response to Specification 1(c):

The response to this specification is provided in Confidential Exhibit 1(c) (redacted).

### Specification 2:

The Public Interest Statement at page 22, identifies types of domestic services that can be provided to various enterprise and wholesale customers, and these services can be generalized as follows: (1) local voice; (2) local data; (3) interexchange and international voice; (4) interexchange and international data; (5) converged voice and data; (6) systems integration/managed services; and (7) equipment (including, but not limited to, value-added resellers). The application appears to claim at page 24 of the Public Interest Statement that providers of these services (IXCs, international carriers, competitive LECs, cable companies, equipment providers, value-added resellers, and systems integrators and IP applications providers) are all competitive alternatives for business and wholesale customers to varying degrees, but does not clearly demonstrate which services are in the same product market.

- a. Using the Merger Guidelines methodology for defining product markets, explain which of these services are in the same product market as one another (*i.e.*, which services are reasonable substitutes for one another in the eyes of customers).

### Response to Specification 2:

MCI incorporates by reference Verizon's response to this specification.

Upon clarification from FCC Staff, where data are requested by service generally,

MCI is providing information grouped into the following service categories:

ATM (Asynchronous Transfer Mode data services)  
Frame Relay  
Internet Dedicated  
Long Distance  
Local  
Metro Private Line  
Other  
Private Line  
VoIP

Specification 3:

The Public Interest Statement, at pages 24-34, cites a number of companies that the applicants contend compete for enterprise customers in various geographic regions with respect to some or all of the services listed in specification 2.

- a. Provide the revenues and number of customers, separately for MCI and Verizon, separately for each type of service identified in specification 2, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within Verizon's region.

Response to Specification 3(a):

The response to this specification is provided in Highly Confidential Exhibit 3(a)(1) (redacted). Upon clarification from FCC staff, MCI is responding to this specification by providing data separately for each MSA. In this exhibit, MCI provides revenue data for the final month of each quarter for each business and wholesale customer category described in MCI's response to specifications 1(a) and 1(b), separately for each service category described in MCI's response to specification 2.

MCI does not, in the ordinary course of business, maintain revenue data by MSA. In order to respond to this specification, MCI has mapped billed revenue to MSAs. If a customer purchases MCI services in multiple MSAs, MCI has assigned the customer's revenue to a particular MSA based upon billing address. The MSA definitions used in Highly Confidential Exhibit 3(a)(1), and in MCI's other responses to specification 3, are the Census Bureau's 1999 MSA definitions. As is required by specification 3(a), Highly Confidential Exhibit 3(a)(2) (redacted) identifies which MSAs include Verizon territory.

- b. Provide the number of DS0 equivalent lines, separately for MCI and Verizon, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within Verizon's region.



Response to Specification 3(b):

Upon clarification from FCC staff, MCI is responding to this specification by providing data separately for each MSA. Highly Confidential Exhibit 3(a)(2) identifies which MSAs include Verizon territory.

MCI is providing three exhibits in response to this specification. First, Confidential Exhibit 3(b)(1) (redacted) provides the number of wholesale lines presubscribed to MCI, in DS0 equivalents, for those services billed by MCI's WIN billing system. This information is provided for May, 2005. Significant additional effort would be required to obtain historical data for WIN-billed services. Services billed by the WIN platform represent approximately 81 percent of MCI's United States wholesale long distance switched voice revenue.

Second, Confidential Exhibit 3(b)(2) (redacted) provides data concerning the number of lines presubscribed to MCI, in DS0 equivalents, for each business customer segment described in MCI's response to specification 1(a) and for those wholesale customers not billed by the WIN platform.

Third, Confidential Exhibit 3(b)(3) (redacted) provides data concerning MCI's switched local exchange lines, in DS0 equivalents, for each business customer segment described in MCI's response to specification 1(a).<sup>1</sup> This information is provided for March 2005. MCI was unable to provide data for prior periods because such data is not obtainable in the ordinary course of business and MCI is concerned that the process of obtaining such data could potentially disrupt customer billing functions.

- c. Provide the number of data lines by capacity, separately for MCI and Verizon, separately

---

<sup>1</sup>Because of billing system limitations, MCI could not generate an accurate count of wholesale local exchange lines to respond to the Commission's request.

for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA. Identify which geographic areas are within Verizon's region.

Response to Specification 3(c):

Upon clarification from FCC staff, MCI is responding to this specification by providing data separately for (i) each MSA in Verizon's region and (ii) each MSA outside of Verizon's region.

The response to this specification is set forth in Confidential Exhibit 3(c) (redacted).<sup>2</sup>

- d. Provide the market shares analyzed by any appropriate metric separately for MCI, Verizon, and each of the competitors cited in pages 22-34 of the Public Interest Statement, separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and separately for the following geographic categories: (1) incumbent LEC franchise area and (2) MSA.

Response to Specification 3(d):

Upon clarification from FCC staff, MCI is responding to this specification by providing market share reports maintained in the ordinary course of business (either prepared internally, or external reports in MCI's possession). Those market share reports are being submitted to the Commission at Bates numbers MCI\_FCC\_3\_000001 *et seq.*

- e. Provide all competitive analyses or studies prepared expressly for MCI or Verizon (whether prepared internally or by outside advisors) that discuss competition between MCI and Verizon for business or wholesale customers in the possession of MCI employees Vinton Cerf, John Dziak, Philip G. Meeks, Jarrett Appleby, Nancy Gofus, Linda Mills, Thomas Ikegami, Ralph R. Montfort, Jr., Janel Crabtree, Suleiman Hessami, John Vasina, Jacquelyn A. Whiting, Pavan Bhalla, Ronald J. McMurtrie, Nicholas Ridolfi, David C. Gray, Blair Crump, Joseph Cook, Charles (Jack) Norris, John Krummel, John Nunziata, Craig Venable, Rick Wells, and Stephen Young; and Verizon employees Michael Boches, Caroline Galand Ward, Michelle Russey McCarthy, Michael Hassett, Kathy Koelle, John Havens, Judy Verses, Ronald H. Lataille, Michael Daigle, Harry J. McMahon, Scott Pierce, Veronica Pellizzi, Anthony Recine, Kathleen Sullivan, Shelley Murphy, Shawne Angelle, Jeffrey E. Taylor, Eric J. Bruno, Jay A. Behrens,

---

<sup>2</sup> This data is not maintained by MCI in the ordinary course of business. MCI is making every effort to gather it and will provide it promptly.

Kimberly G. Lessner, Joseph Lucatorto, Steven G. McCully, Claire Beth Nogay, David Small, Mark C. Griffith, Quintin Lew, Thomas D. Maguire, Jeffrey A. Masoner, Susan Fox, Mark L. Heinold, Kathryn Kalajjian, and John D. Pricken.

Response to Specification 3(e):

The documents responsive to this request are Bates numbered

MCI\_FCC\_24\_000001 *et seq.*

#### Specification 4:

According to page 25 of the Public Interest Statement, "with respect to the large enterprise contracts on which MCI bids, Verizon is rarely, if ever, a competing bidder." For situations since October 1, 2004 in which MCI or Verizon has submitted a proposal to provide any service to a business customer as defined in 1.a, and in which MCI or Verizon is aware or believes that the other applicant also submitted a proposal, identify:

- a. The service(s) which was or were the subject of the proposal;
- b. The month the proposal was submitted;
- c. The class of customer as defined in response to specifications 1.a and 1.b;
- d. The revenues that would have been generated, separately within Verizon's region and outside Verizon's region, under the proposal;
- e. Any other person which your company is aware or believes also submitted a proposal;
- f. The location(s) in which the service was or is scheduled to be provided; and
- g. The person awarded the contract to provide the relevant service(s).

#### Response to Specification 4:

MCI has identified over 800 bids it has made since October 1, 2004, in response to a Request for Proposal ("RFP") by enterprise customers. These bids generally involve the large enterprise contracts to which MCI referred on page 25 of the Public Interest Statement. As set forth in Verizon's Response to Specification 4, Verizon's counsel compared this list of over 800 MCI proposals with a list of over 500 proposals that Verizon made in comparable circumstances, and although review of these proposals is continuing, Verizon's outside counsel determined that in more than 89% of the instances in which MCI submitted bids during this period, Verizon does not appear to have bid. As stated in Verizon's Response to Specification 4, this figure overstates the extent to which Verizon and MCI provided competing bids. Data on the potentially overlapping proposals are submitted in Verizon Confidential Exhibit 4.1 (redacted), which is hereby incorporated by reference.

MCI cannot as a practical matter provide the requested information concerning all proposals to all enterprise customers, including proposals to small and medium

businesses and proposals that were not made in response to an RFP. MCI lacks reliable information concerning the extent to which Verizon or any other company made proposals to these same customers in competition with MCI. MCI compiled a list of over 141 proposals to enterprise customers that its employees believed, based on information obtained in the ordinary course business, involved situations where Verizon made competing proposals. However, when MCI's and Verizon's outside counsel exchanged information about these bids, Verizon's outside counsel determined that Verizon in fact made competing proposals in no more than ten of these instances. MCI believes that information obtained in the ordinary course of business is not more reliable or complete with respect to proposals to other business customers. Moreover, MCI does not maintain in any centralized or readily accessible location information about competing proposals to all business customers.

## **B. Special Access and Private Line Services**

### Specification 5:

Page 34 of the Public Interest Statement states that “more than 100 different providers have deployed competitive fiber” in Verizon’s serving area. Paragraph 14 of the Declaration of Quintin Lew and Ronald H. Lataille indicates many competitors for Verizon wholesale special access circuits have deployed high-capacity access facilities in Verizon’s service territory as well as where Verizon and MCI’s access facilities overlap.

- a. For each incumbent LEC franchise area and MSA where MCI or Verizon provide special access service, provide the special access revenues billed and number of circuits for MCI and Verizon, separately for each type of special access service, and separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b. Provide definitions for each type of special access service (which, cumulatively, should encompass all special access services offered by the company). For MCI, please indicate the underlying facility ownership.

### Response to Specification 5(a):

“Special access” is a term usually used in the telecommunications business to refer to dedicated circuits offered by an incumbent LEC and used to provide access to interexchange services. MCI does not market any of its services as “special access.” However, MCI does offer a service – “Metro Private Line” – that is, in some applications, equivalent to incumbent LEC special access. In other applications, MCI’s Metro Private Line service is equivalent to the incumbent LECs’ “local private line” offerings.

MCI Metro Private Line circuits are dedicated point-to-point and point-to-multipoint circuits that connect locations in the same LATA. MCI offers a variety of Metro Private Line services, ranging from low-bandwidth DS0 circuits to high bandwidth SONET circuits. Metro Private Line circuits are classified into two main types – “Type I,” which connect two on-net locations and rely entirely on MCI’s own fiber facilities, and “Type II,” which are provisioned in part over MCI’s own fiber facilities and in part over facilities obtained from another carrier – usually, but not always, the incumbent LEC.

In Confidential Exhibit 5(a) (redacted), MCI provides line count and revenue information for each of MCI's special access services by MSA, separately for each business and wholesale customer segment described in MCI's response to specifications 1(a) and 1(b), for the final month of each quarter. The data for line count and revenue is provided in the following categories of circuit types:

DS0  
DS1  
DS3  
E-DS1 (European Standard 2.048Mbps)  
E-DS3 (Channelized DS3 framed in European standard E-DS1)  
FIBER (Dark Fiber)  
MISC  
O12 (SONET OC-12)  
O48 (SONET OC-48)  
OC3 (SONET OC-3)  
OC192 (SONET OC-192)  
SONET  
VIDEO (Point to Point service for Video applications using compression).

- b. For each incumbent LEC franchise area and MSA within Verizon's region where MCI or Verizon provide special access service, identify the five major special access competitors (based on market share), and provide an estimate of the special access revenues billed and number of circuits for each competitor, separately for each type of special access service identified in response to specification 5.a. Provide an explanation of how this estimate was determined, and provide supporting documentation.

Response to Specification 5(b):

Upon clarification from FCC staff, MCI is responding to this specification by identifying documents that MCI maintains in the ordinary course of business that contain information responsive to this request. MCI has provided documents Bates numbered MCI\_FCC\_5\_000001 *et seq.*

- c. For each incumbent LEC franchise area where MCI or Verizon provide private line service, provide the private line revenues billed and number of circuits for MCI and Verizon, separately for each type of private line service, and separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b. Provide definitions for each type of private line service (which, cumulatively, should encompass all private line services offered by the company).

Response to Specification 5(c):

The response to this specification is set forth in Confidential Exhibit 5(c) (redacted).<sup>3</sup>

- d. For each incumbent LEC franchise area within Verizon's region where MCI or Verizon provide private line service, identify the five major private line competitors (based on market share), and provide an estimate of the private line revenues billed and number of circuits for each competitor, separately for each type of private line service identified in response to specification 5.c. Provide an explanation of how this estimate was determined, and provide supporting documentation.

Response to Specification 5(d):

Upon clarification from FCC staff, MCI is responding to this specification by identifying documents that MCI maintains in the ordinary course of business that contain information responsive to this request. MCI has provided documents Bates numbered MCI\_FCC\_5\_000001 *et seq.*

---

<sup>3</sup> This data is not maintained by MCI in the ordinary course of business. MCI is making every effort to gather it and will provide it promptly.



Specification 6:

According to paragraph 19 of the Declaration of Quintin Lew and Ronald H. Lataille, MCI owns local facilities in 39 different wire center clusters within Verizon's region. In paragraphs 20-25, Lew and Lataille declare that there are, generally, numerous providers of high-capacity local access services and that the "combination of MCI and Verizon does not change the competitive landscape." In paragraph 7 of the Declaration of Jonathan P. Powell and Stephen M. Owens, state that in these 39 clusters, "MCI's local fiber networks span only a small part of each metropolitan area."

- a. Separately for each MSA within Verizon's franchised territory in which MCI owns or leases facilities used to provide telephone exchange or exchange access service, provide in the form of lists and network maps of sufficiently precise detail a description of MCI's facilities, including the capacity of lit and number of strands of unlit fiber and the geographic area that practically can be reached by the network, via either (1) direct fiber connection or (2) special access loops or EELs. Please indicate the underlying facility ownership.

Response to Specification 6(a):

In Highly Confidential Exhibit 6(a)(1) (redacted), MCI is providing maps of its local fiber networks. These maps identify whether the fiber facilities used in MCI's network are owned by MCI or leased from another carrier.

MCI's local fiber networks overlap Verizon territory in 26 MSAs, although in several of those MSAs MCI's local network is very limited in scope. In 20 MSAs, MCI has local fiber networks that are largely or wholly within Verizon territory. MCI is providing maps for all of these MSAs except for four small MSAs – Allentown-Bethlehem-Easton; PA-NJ; Reading, PA; Trenton-Ewing, NJ; and York-Hanover, PA – in which MCI's local fiber network is very limited in scope.<sup>4</sup>

In an additional six MSAs, MCI has local fiber networks that are largely within the territory of another incumbent LEC – Qwest, SBC, or BellSouth – but have small sections in Verizon territory. Those six MSAs are (1) Dallas-Fort Worth-Arlington, TX;

(2) Durham, NC; (3) Los Angeles-Long Beach-Santa Ana, CA; (4) Portland-Vancouver-Beaverton, OR-WA; (5) Seattle-Tacoma, WA; and (6) Bridgeport-Stamford-Norwalk, CT. MCI is providing maps for all of these MSAs except for Bridgeport-Stamford-Norwalk, CT, in which MCI has only very limited facilities in the single Verizon wire center in that MSA. The maps that MCI is providing show the entire MCI local network in those MSAs, not just the section of MCI's network that is in Verizon territory.

MCI also has collocations, but no local fiber, in four additional MSAs – San Francisco-Oakland-Fremont, CA; Santa Barbara-Santa Maria-Goleta, CA; San Jose-Sunnyvale-Santa Clara, CA; and Poughkeepsie-Newburgh-Middletown, NY. These collocations are either “off-net,” served over facilities leased from another carrier, or served directly by MCI's long distance network.

The following table lists the MSAs in which MCI has local fiber facilities that overlap with Verizon territory, provides the names of the MCI local network maps in Highly Confidential Exhibit 6(a)(1) that correspond to that MSA, and provides the number of pages in each local network map. For larger cities, MCI is providing both an overview map and several more detailed maps.

MSA	Network Map	Maps in File
Albany-Schenectady-Troy, NY	Albany	1
Allentown-Bethlehem-Easton, PA-NJ		
Baltimore-Towson, MD	Baltimore	6
Bridgeport-Stamford-Norwalk, CT		
Boston-Cambridge-Quincy	Boston	15
Buffalo-Cheektowaga-Tonawanda, NY	Buffalo	1
Dallas-Fort Worth-Arlington, TX	Dallas	16
Durham, NC	Raleigh	1

---

<sup>4</sup> MCI does not have “local” fiber in the York-Hanover, PA MSA. Although MCI has on-net locations in the York-Hanover, MSA that are associated with MCI's Philadelphia local network, those locations are actually served by MCI long distance network fiber

Los Angeles-Long Beach-Santa Ana	Los Angeles	12
Manchester-Nashua, NH	Manchester Nashua	1 2
New York-Newark-Edison, NY-NJ-PA	Manhattan Long Island Newark Jersey City White Plains	18 3 1 3 1
Philadelphia-Camden-Wilmington, PA-NJ-DE	Philadelphia Wilmington	10 1
Pittsburgh, PA	Pittsburgh	1
Portland-South Portland, ME	Portland ME	2
Portland-Vancouver-Beaverton, OR-WA	Portland OR	1
Providence-New Bedford-Fall River, RI-MA	Providence	7
Reading, PA		
Richmond, VA	Richmond	4
Seattle-Tacoma-Bellevue, WA	Seattle	10
Springfield, MA	Springfield MA	1
Syracuse, NY	Syracuse	1
Tampa-St. Petersburg-Clearwater, FL	Tampa	8
Trenton-Ewing, NJ		
Washington-Arlington-Alexandria, DC-VA-MD-WV	Washington	18
Worcester, MA	Boston	15

Confidential Exhibit 6(a)(2) (redacted) provides the location and street addresses for MCI's local voice switches supporting services in Verizon's territory as of December 2004. One table shows those MCI local voice switches that are physically located in Verizon territory. The second table shows those MCI local voice switches that are located in the territory of another incumbent LEC but can, in some instances, serve rate centers in Verizon-West (former GTE) territory.

Confidential Exhibit 6(a)(3) (redacted) provides a list of MCI collocations in Verizon territory. The exhibit provides an indication of whether the collocation is served over MCI facilities ("on-net") or is served over leased facilities ("off-net"). The exhibit

also provides the CLLI code of the Verizon central office, street address, and state, and an indication of whether the central office is in former Bell Atlantic/NYNEX territory ("Verizon") or is in former GTE territory ("Verizon West"). The information is provided as of December 31, 2004.

MCI's local core fiber network is constructed with a fiber cable containing between 288 and 432 fibers. The number of lit and unlit fibers varies along any given route by the method used to connect building lateral routes to the core fiber cable. In other words, a specific number of lit/unlit fibers will exist between a local node and the first building lateral, a different number of lit/unlit fibers will exist between the first building lateral and the second building lateral and so on until the next local node. Therefore, the length of time required to research the number of lit and unlit fibers between each local node and building lateral, building lateral to building lateral, and building lateral to local node would be at least several months.

Nevertheless, MCI has been able to gather some data on the number of lit and unlit fibers by central office. Confidential Exhibit 6(a)(4) identifies the number of lit and unlit lateral fibers in central offices in Verizon territory (including former GTE territory) in which MCI is collocated and which are "on-net" for MCI (meaning they are reached by MCI-owned fiber). Information on the number and capacity of fibers for MCI collocations reached via leased facilities is not meaningful because MCI can always lease additional capacity.

The capacity of unlit fiber varies depending on the technology used to light the fiber. The ability to deploy optical technologies depends on a variety of factors, including cost, the nature of the services being provided, and the availability of adequate

power, space, and other physical facilities at the ends of the fiber.

Information concerning MCI's "on-net" buildings is provided in MCI's response to specification 6(e).

Finally, specification 6(a) asks MCI to discuss "the geographic area that practically can be reached by the network, via either (1) direct fiber connection; or (2) special access loops or EELs." As a general matter, MCI, like any CLEC, can practically reach any area that can economically be served by extending its network through direct fiber connections or through special access loops or EELs. Whether it is economically feasible to serve a customer location using MCI's own facilities depends on an analysis of the nonrecurring and recurring costs of extending MCI's network and the revenues that MCI would expect to earn from customers at that location. MCI is also able practically to reach all areas that can be served using special access or EELs depending on the availability and cost of special access or EELs (including any special construction costs) and the revenues that MCI would expect to earn from customers at that location.

- b. Describe the retail and wholesale services that MCI provides using the facilities identified in response to specification 6.a.

Response to Specification 6(b):

MCI uses its local fiber networks to offer the full range of telecommunications services to retail business customers and wholesale customers. First, MCI uses its local fiber networks to connect both business and wholesale customers to MCI's long-haul voice, data, and IP networks.

Second, MCI uses its local fiber networks to offer a range of retail local services to business customers, including retail business local exchange services, metropolitan area frame relay services, and Metro Private Line services. MCI's business local

exchange services are provided using the Class 5 switches listed in Confidential Exhibit 6(a)(2). As noted in MCI's response to specification 18(a)(3), MCI uses its local network in a few areas to provide voice services to small business and residential customers using unbundled local loops.

Finally, MCI uses its local fiber networks to offer Metro Private Line services to wholesale customers. MCI's wholesale Metro Private Line offering is discussed in more detail in MCI's response to specification 5(a).

- c. Separately for each MSA identified in response to specification 6.a and separately for each service identified in response to specification 6.b, identify the types of customers to which MCI offers any of the services described in response to specification 6.b separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b. Please indicate the underlying facility ownership.

Response to Specification 6(c):

MCI generally offers the services described in its response to specification 6(b) to all classes of business and wholesale customers.

- d. With respect to MCI, for each MSA identified in response to specification 6.a, and with respect to Verizon, for each MSA within Verizon's franchise area where MCI is collocated, identify and describe the facilities deployed by carriers that compete with Verizon and/or MCI. Describe the retail and wholesale services that each competing carrier provides using those facilities, and identify the types of customers to which each service is provided separately for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b.

Response to Specification 6(d):

MCI has only very limited information about the facilities deployed by carriers that compete with Verizon and/or MCI. Upon clarification from FCC staff, MCI is responding to this specification by providing information about competitive facilities that MCI maintains in the ordinary course of business. MCI has provided relevant documents Bates numbered MCI\_FCC\_6\_000001 *et seq.*

Additionally, in Highly Confidential Exhibit 6(d) (redacted), MCI is providing a

list of “lit” building locations that have been provided to MCI by certain carriers with which MCI has agreements that allow MCI to purchase dedicated high-capacity services. Specifically, MCI is providing an excerpt from its “lit building database” for the thirteen states in which Verizon-East operates. Because MCI’s lit building database does not specify the incumbent LEC territory in which a building is located, MCI has been unable to verify that all of the lit buildings shown in the database for these 13 states are actually in Verizon territory, and not in the territory of another incumbent LEC. Similarly, MCI has been unable to determine whether any buildings in its lit building database are in Verizon-West (former GTE) territory.

The on-net building information in Highly Confidential Exhibit 6(d) has a number of other limitations. Most importantly, the data in Highly Confidential Exhibit 6(d) reflect only a subset of the carriers that compete with MCI and/or Verizon, and thus understates the scope of competition. Furthermore, because the other carriers give MCI updates to their on-net building lists only quarterly or, in some cases, semi-annually, the list in Highly Confidential Exhibit 6(d) is not current even for those carriers with which MCI has an agreement.

- e. Provide the address of each building within Verizon’s region that is “on net” for MCI, *i.e.*, connected to MCI’s local network by facilities owned by MCI. Provide the address of each additional building that MCI plans to bring “on net” within the next two years (by May 1, 2007).

Response to Specification 6(e):

Confidential Exhibit 6(e)(1) (redacted) identifies the address of each MCI “on net” building within Verizon’s region that is served by MCI fiber. MCI also serves approximately 70 buildings in Verizon’s region over copper facilities.

The on-net building list provided in Confidential Exhibit 6(e)(1) overstates the current operational scope of MCI's network. It includes all buildings that have MCI fiber, including those buildings that are not currently active, *i.e.*, buildings in which MCI no longer has any customers and has removed the transmission electronics.

Highly Confidential Exhibit 6(e)(2) (redacted) provides the addresses of buildings that MCI plans to bring "on-net." These are buildings for which the "building add request" has been approved, funding is in place, and the building add is either scheduled for completion in 2005 or will be scheduled for completion in 2005. No building adds have been approved for 2006 and 2007. Because MCI has been unable to determine definitively which approved building adds are in Verizon territory, Highly Confidential Exhibit 6(e)(2) lists all approved building adds in the thirteen states in which Verizon-East operates and in the five states that have the greatest overlap between MCI local networks and Verizon-West territory: California, Texas, Florida, Oregon, and Washington.



Specification 7:

For each state in which Verizon operates as an incumbent LEC, describe the state regulations, if any, that apply to special access and private line services.

Response to Specification 7:

Pursuant to the instructions set forth in paragraph 20 of the Request, MCI need not respond to Specification 7.

**C. Internet Services**

**Specification 8:**

On page 61 of the Public Interest Statement, Verizon claims that its backbone is not comparable to MCI's, and that the combination of MCI's and Verizon's backbones therefore would not be anticompetitive.

- a. Separately for MCI and Verizon, provide the following information regarding the amount and type of traffic that traverses Verizon's and MCI's existing Internet backbones:

- (1) The number, type, and size of the customers obtaining access to the Internet backbone.

**Response to Specification 8(a)(1):**

MCI offers a set of services that provide Internet connectivity through its Internet backbone at many different speeds and bandwidths, from dial-up and DSL connectivity to dedicated connections ranging from 56 Kbps to OC48 speeds. MCI provides these services on a wholesale and retail basis to many different types of customers, including companies that operate backbones of differing capacities and scope, other ISPs, cable companies, and businesses. The type and quantity of Internet service purchased by these customers vary greatly.

Confidential Exhibit 8(a)(1)-(2) (redacted) contains information on the number and type of MCI customers purchasing Internet access services, and the number, type, and capacity of the dedicated Internet access lines purchased by those customers.

The retail customer data represents primarily the number of unique accounts in MCI's billing systems. In some cases, MCI's systems associate multiple accounts with a common NASP-ID code (which represents an affiliated group of entities) and where NASP-ID information was present, the NASP-ID and not the underlying billing accounts were counted as a unique customer for these purposes.

The wholesale customer data represents the number of unique NASP-IDs in

MCI's wholesale billing systems.

- (2) The number and type of circuits provided by MCI or Verizon connecting those customers to the Internet backbone.

Response to Specification 8(a)(2):

Confidential Exhibit 8(a)(1)-(2) (redacted) contains information on the number and type of customers purchasing Internet access services from MCI, and the number, type, and capacity of the dedicated Internet access lines purchased by those customers. That exhibit also contains data on aggregate capacity connecting MCI's gateway edge routers (the devices to which customer dedicated Internet loops are connected) to MCI's core Internet backbone. For each of the reported time periods, the capacity data represents the network topology for the last week of the quarter.

- (3) Each person with which MCI or Verizon has a peering relationship, and indicate whether the peering is on a paid or settlement-free basis.

Response to Specification 8(a)(3):

A list of companies with which MCI has peering agreements in the United States (AS 701) is set forth in Highly Confidential Exhibit 8(a)(3) (redacted). All peering is done on a settlement-free basis within the United States. MCI's published peering policy sets forth separate requirements for each of these networks. *See* <http://global.mci.com/uunet/peering/>.

- (4) The volume of traffic exchanged with each person with whom the carrier peers on a paid or settlement-free basis, listed separately by peering partner.

Response to Specification 8(a)(4):

Information responsive to this request is set forth in Highly Confidential Exhibit 8(a)(4) (redacted).

- (5) The volume of traffic exchanged on an aggregated basis and with each of the top 20 customers by revenue (i) for whom the carrier provides transit service, and (ii) who

provide transit services to the carrier. Additionally, indicate what percentage of total revenues the top 20 customers comprise.

Response to Specification 8(a)(5):

Highly Confidential Exhibit 8(a)(5)(1) (redacted) provides customer names and revenue for MCI's top 20 United States wholesale customers of dedicated Internet access services (excluding DSL). It also separately provides this information for the subset of United States wholesale customers identified by MCI as likely being primarily ISPs. The information provided is for the months indicated, and reflects the billed revenue for each month (excluding DSL). The most recent month for which data is available is February 2005.

MCI business systems do not track whether a particular wholesale customer is an Internet backbone provider or not. However, MCI's Wholesale group had access to a list of wholesale customers who had been identified as potentially being Internet Service Providers for an unrelated business initiative. For purposes of the response to this specification, that list was used in an attempt to identify customers that are primarily ISPs. MCI conducted a manual review of domestic United States wholesale customer names, and an automated search for words such as "Internet" and ".net" as part of the customer name.

Highly Confidential Exhibit 8(a)(5)(2) (redacted) contains traffic information for MCI's top 20 United States wholesale customers of dedicated Internet access services (excluding DSL). It also separately provides this information for the subset of United States wholesale customers identified by MCI as likely being primarily ISPs for the month of February 2005. To gather this data, MCI's Wholesale billing system generated a list of wholesale dedicated Internet access circuits (excluding DSL) billed in the month

of February 2005. MCI was able to link the billed-circuit data to active network interfaces for approximately 90% of the circuits for which revenue figures are provided.

Traffic data for the network interfaces is sampled every five minutes, when MCI records the bits-per-second (bps) in-bound and out-bound on that interface. Traffic data was pulled for the first week of March 2005. The raw bps data was summed and divided by the number of samples to obtain an average bps in-bound, out-bound, and total. Further mathematical calculations were applied to generate average tera-bytes per day figures.

Traffic statistics of this type are readily available only for currently active interfaces. Data that would link network interfaces to specific customers for historical periods is not readily available, and would require a detailed traffic study across multiple data sources.

- (6) The total number of routes announced or advertised on the carrier's Internet backbone network, and the number of IPv4 addresses associated with those routes.

Response to Specification 8(a)(6):

The number of routes announced or advertised on MCI's Internet backbone is constantly changing. Subject to that qualification, MCI sets out the number of routes announced or advertised on MCI's network to its customers in the following table:

	April 4, 2005	January 2005	January 2004
Number of Routes	155,000	150,000	127,000

MCI was unable to determine the total number of number of IPv4 addresses associated with those routes. In any event, the number of advertised IPv4 addresses is not a commercially significant datum given ISPs' varying practices with regard to addresses. An enumeration of the theoretical maximum possible addresses that could be

associated with these routes is set forth in Confidential Exhibit 8(a)(6) (redacted).

- b. With respect to Verizon, separately for each state where Verizon provides non-Tier 1 Internet backbone services: (1) identify Verizon's non-Tier 1 Internet backbone provider competitors, (2) provide Verizon's share of Internet backbone revenues, (3) provide the estimated revenue shares of Verizon's Internet backbone provider competitors, (4) provide Verizon's share of Internet backbone traffic, (5) provide the estimated shares of traffic of Verizon's Internet backbone provider competitors. With respect to MCI, separately for each state where MCI believes that Verizon provides non-Tier 1 Internet backbone services, respond to (1), (3), and (5) above. Provide an explanation of how the estimates in subsections (3) and (5) above were determined, including a summary of the underlying data utilized in preparing the estimates.

Response to Specification 8(b):

Upon clarification from FCC staff, MCI is responding to this specification as it relates to MCI by providing documents it maintains in the ordinary course of business (either prepared internally, or external reports in MCI's possession) concerning Verizon's competitors that operate Internet backbones, whether or not these competitors would be categorized by the FCC as "non-Tier 1" competitors. MCI has provided documents containing those data Bates numbered MCI\_FCC\_8\_000001 *et seq.*

- c. Separately for MCI and Verizon, provide any engineering capacity planning documents or marketing analyses that discuss the anticipated change in the number of transit customers and/or the volume of associated traffic for the years 2005 and 2006.

Response to Specification 8(c):

The relevant documents are Bates numbered MCI\_FCC\_8\_000001 *et seq.*

- d. Paragraph 17 of the Lack/Pilgrim Declaration states that Verizon "has its own limited IP backbone network that rides on Verizon's long distance network." Provide further details about Verizon's IP backbone network and clarify what it means that Verizon's IP Backbone network rides on its long distance network and discuss whether, when, and the extent to which Verizon's efforts to convert its long distance network to packet-switching technology would expand its IP backbone.

Response to Specification 8(d):

Pursuant to the instructions set forth in paragraph 20 of the Request, MCI need not respond to Specification 8(d).

- e. Paragraph 18 of the Lack/Pilgrim Declaration states that Verizon expanded its IP backbone network outside of the Northeast and Mid-Atlantic regions last year by adding eight points of presence: (1) identify the states and/or cities where this expansion occurred and explain why Verizon pursued the expansion; and (2) provide Verizon's analyses and other planning documents (both those generated internally and by outside consultants) that discuss the rationale for this out of region expansion of Verizon's IP backbone network.

Response to Specification 8(e):

Pursuant to the instructions set forth in paragraph 20 of the Request, MCI need not respond to Specification 8(e).

- f. Paragraph 2 of the Kende Declaration indicates that "based on the available data, it is reasonable to assume that [Tier 1 providers] today includes at least MCI, AT&T, Level 3, Sprint, Quest, and SAVVIS." Provide the data supporting this claim.

Response to Specification 8(f):

All of the supporting data relied on in paragraph 2 of the Kende Declaration are described in the declaration itself and accompanying exhibits: the traffic and revenue data are described in paragraphs 4 and 5; data concerning AS connections are described in paragraphs 6-8; and data concerning publicly available peering policies are described in paragraphs 9-11.

MCI has also provided the supporting data described here in response to Specification 23, which requests all documents cited in the Kende Declaration as well as any data or competitive analyses relied upon in preparing that declaration.

Specification 9:

Describe the varying kinds of peering arrangements, interconnection agreements, or transit agreements that MCI and Verizon have with other Internet backbone providers. Explain the differences, if any, between private interconnection to a backbone versus interconnection at a public network access point (NAP) (e.g., the quality or capacity of interconnection, etc.).

Response to Specification 9:

MCI has two general types of arrangements with other backbone operators: peering arrangements and dedicated Internet connectivity arrangements.

MCI's "Policy for Settlement-Free Interconnection with Internet Networks," available at <http://global.mci.com/uunet/peering>, establishes a set of performance and other requirements applicable to parties seeking to peer with MCI's Internet backbone networks. These requirements are designed to ensure that the peering arrangement will be beneficial to each peer. As the policy states, MCI also considers requests for settlement-free interconnection on a national level or in other regions of the world, based on the guiding principles contained in its peering policy and with appropriately scaled interconnection requirements.

Part 1 of the MCI's peering policy details the requirements that an Internet Network requesting interconnection (the "Requester") must meet in order to qualify for settlement-free interconnection. For purposes of the peering policy, an Internet Network must be a single Autonomous System ("AS"). The Policy establishes separate requirements for each of MCI's three interconnected Internet Networks, AS701 (MCI-US), AS702 (MCI-Europe), and AS703 (MCI-ASPAC (Asia Pacific)), with the requirements scaled for each network. Part 2 of the peering policy specifies the operational requirements for interconnecting networks, which both the Requester and MCI must satisfy. These requirements include minimum geographic scope, minimum



traffic volume, roughly balanced traffic flows, minimum capacity on inter-hub links, and a Network Operations Center open 24 hours a day, 7 days a week. The policy also provides for a Mutual Non-Disclosure Agreement and an Interconnection Agreement between MCI and its peers.

A list of companies with which MCI has peering agreements for its AS701 Internet backbone in the United States is set forth above in the response to specification 8(a)(3). As noted in that response, these arrangements are all settlement-free.

MCI's peering policy applies to all requests for settlement-free interconnection with a MCI regional Internet Network, either via dedicated connections ("direct peering") or via traffic exchange at a multi-party network access point ("public peering"). Most Internet traffic is exchanged through direct connections between Internet backbones. The circuit(s) connecting the two networks may be very short if both ISPs have hubs located in a common location, such as a carrier hotel (offered by, for example, Equinix or NAP of the Americas), or longer if the ISPs' respective hubs are in separate facilities. A small percentage of Internet traffic is exchanged at network access points ("NAPs"), where multiple ISPs lease space and ISPs share transmission facilities to exchange traffic with their peers. MCI operates Internet NAPs through its MAE Services product offering, which provides collocation space for ISPs to interconnect with each other. MCI has MAE facilities in Washington, DC, San Jose, Dallas, Chicago, Los Angeles, Miami, and New York.

Public peering is an exchange of Internet traffic established over a shared medium, such as an Ethernet or Asynchronous Transfer Mode ("ATM") switch. The exchange points themselves are typically managed data centers maintained for a fee by a

third party. Peering at public exchanges provides a relatively high level of aggregation at a low cost per peer. Use of public exchange points provides a number of benefits, including the ability quickly to establish a peering connection in a shared location without having to wait for direct interconnections to be completed, and the ability to adjust bandwidth capacity over permanent virtual circuits ("PVCs") in real time as traffic needs dictate.

Direct peering is an exchange of Internet traffic over dedicated circuits provided by the peers. Direct interconnections allow MCI and its peers to determine the precise speed, location, and terms through which the two carriers meet. Direct interconnections also may provide MCI and its peers greater control over the quality of service at each interconnection point. In addition, each peer generally hands off traffic to the other peer at the interconnection point closest to the site where the traffic enters each peer's backbone – a practice referred to as "hot potato routing."

A peer of MCI is able to send traffic only to MCI and customers of MCI. It is not able to send traffic through MCI to a customer of other backbone operators that peer with MCI. A customer who wishes to obtain global Internet connectivity through MCI's backbone must make use of MCI's dedicated or dial-up Internet connectivity arrangements.

Peering is typically settlement-free. Two backbone operators agree to peer on this basis because each expects to receive roughly equal benefits from the peering relationship and to bear roughly equal burdens. Occasionally, ISPs will enter into a paid peering arrangement which involves the payment of fees for the peering connection. ISPs usually

enter into such arrangements when the benefits and burdens of peering are not equal but the parties wish to exchange only traffic destined for each other's customers.

Specification 10:

Paragraph 3 of the Kende declaration states that Verizon is “primarily a customer of two of the larger Internet connectivity providers, has limited peering with such providers, and provides transit services to other [ISPs] only to a limited extent.”

- a. Identify the two larger Internet connectivity providers from which Verizon purchases transit and specify the average volume of traffic Verizon exchanges under these two transit arrangements.
- b. Explain in detail what is meant by “limited peering with such providers,” and provide the average volume of traffic under these “limited peering” arrangements. Explain whether Verizon has settlement-free peering arrangements with any Internet backbone providers and describe Verizon’s plans to obtain settlement-free peering.
- c. List Verizon’s annual payments to other Internet backbone providers by Internet backbone provider separately for 2004 and year-to-date 2005.
- d. Describe Verizon’s plans to obtain settlement-free peering. Identify the providers with which Verizon is negotiating peering agreements.

Response to Specification 10(a)-(d):

Pursuant to the instructions set forth in paragraph 20 of the Request, MCI need not respond to Specification 10(a)-(d).

- e. As a Tier 1 Internet backbone provider, list MCI’s annual payments from other Internet backbone providers on an aggregate basis as well as for the top 20 providers by revenue separately for 2004 and year-to-date 2005. Calculate the percentage of aggregate revenues comprised by the top 20 customers.

Response to Specification 10(e):

Without regard to whether MCI is a “Tier 1 Internet backbone provider,” MCI sets forth the requested data in Highly Confidential Exhibit 8(a)(5)(1) (redacted). That exhibit provides customer names and revenue for MCI’s top 20 United States wholesale customers of dedicated Internet access services (excluding DSL). It also separately provides this information for the subset of United States wholesale customers identified by MCI as likely being primarily ISPs. The information provided is for the months indicated, and reflects the billed revenue for each month (excluding DSL). The most recent month for which data is available is February 2005.

MCI business systems do not track whether a particular wholesale customer is an

Internet backbone provider or not. However, MCI's Wholesale group had access to a list of wholesale customers who had been identified as potentially being Internet Service Providers for an unrelated business initiative. For purposes of the response to this specification, an attempt was made to identify customers that might primarily be ISPs using that list, through a manual review of domestic United States wholesale customer names, and an automated search for words such as "Internet" and ".net" as part of the customer name.

- f. Specify the fees MCI and Verizon charge for transit, separately for 2004 and year-to-date 2005, and describe the competitive consequences associated with changes (decreases or increases) in such transit arrangement charge(s). Indicate whether MCI or Verizon assesses different transit charges for ISPs and comparable enterprise customers.

Response to Specification 10(f):

MCI understands the term "transit" in this context to mean dedicated Internet connectivity purchased by ISPs. MCI sells dedicated Internet connectivity through wholesale and retail sales channels. The wholesale channel is focused on wholesale customers such as ISPs and telecommunications carriers. The retail channel is focused on business customers buying for their own use. Standard rates and common discount percentages for these services are attached in Highly Confidential Exhibit 10(f) (redacted). In each sales channel, the size of the discount any particular customer receives depends on a variety of factors, including the volume of capacity purchased, the term of the contract, and competitive considerations. The competitive consequences associated with changes in these charges depend upon how MCI's revised rates compare with its competitors' rates. Intense competition among providers of dedicated Internet connectivity has generally caused prices to decline over time. ISPs and similarly situated enterprise customers generally obtain comparable pricing, with retail net prices being

somewhat higher than wholesale net prices due to the different support services provided to retail customers. There is variation between the prices that ISPs and enterprise customers pay, just as there is variation between the prices that different ISPs pay and between the prices that different enterprise customers pay.

Specification 11:

Describe MCI's and Verizon's current policies, including any typical contractual requirements, for permitting unaffiliated Internet service providers to access that carrier's Internet backbone or other broadband transmission facilities or services (such as peering, transit, and xDSL).

Response to Specification 11:

MCI's peering policy is described in its Response to Specification 9, *supra*.

Retail and wholesale services are available to all customers, including, without limitation, unaffiliated ISPs, pursuant to standard service agreements. These agreements may be modified through negotiation to meet specific customer requirements. Copies of representative agreements are attached as Confidential Exhibit 11 (redacted). The attached contracts relating to wholesale services are not yet formally in effect (although they are expected to become effective shortly), and therefore reference Dedicated Internet and MAE service types and rates that may be slightly different than those provided for in response to Specification 10(f) (as to which MCI's response is based on the existing rather than the new offerings). The terms of the new agreements are not materially different than the terms of the old agreements, but the new agreements cover additional service speeds and types.

### Specification 12:

Paragraph 1 of the Kende Declaration states that MCI "operates" several network access points (NAPs), but claims that NAPs have become less significant in general and that MCI faces new sources of competition. Paragraph 3 of the Cerf Declaration identifies the NAPs that MCI operates and asserts that a small percentage of Internet traffic is exchanged at these NAPs.

- a. Explain what "operate" involves in this context and discuss MCI's financial interest in each NAP.
- b. Specify the percentage of traffic that is exchanged at NAPs that MCI operates.

### Response to Specification 12:

MCI's Response to Specification 9 describes different forms of peering. Public peering involves an exchange of Internet traffic over a shared medium, such as an Ethernet or Asynchronous Transfer Mode ("ATM") switch. ISPs may also exchange traffic using direct connection points established by bilateral or multilateral agreement between ISPs.

A Network Access Point ("NAP") is a facility used by multiple ISPs as a public peering point for exchanging Internet traffic. NAPs are known by different names depending upon the service provider (*e.g.*, MCI's MAE® Service). A NAP provides ISPs with (1) collocation space, (2) connectivity to the NAP, and (3) a switching platform used for interconnection. ISPs lease rack space and cross connects from the NAP owner to collocate and link their equipment and facilities to other ISPs. A NAP does not provide peering, or route traffic, but rather provides access to the medium over which peering ISPs exchange traffic.

A NAP should not be confused with a backbone. Backbones are the networks consisting of routers, fiber, and other facilities that carry Internet traffic among customers and between backbones. Network access points provide interconnection facilities for



ISPs, typically smaller than the large backbone operators whose peering relationships generally involve direct peering. There are over 40 NAPs in the United States today.

MCI owns and operates seven NAPs in the United States, under the "MAE Services" name: San Jose ("MAE West"), Los Angeles, Chicago, Dallas, New York, Washington DC ("MAE East"), and Miami. The equipment at MCI's NAPs is wholly owned by MCI; thus, MCI's financial interest in the NAP equipment is 100%.

MAE®, which originally stood for "Metropolitan Area Ethernet" and later "Metropolitan Area Exchange," is now a trade name for MCI's MAE services and facilities. MCI's MAE Services are facilities where ISPs connect to each other to exchange Internet traffic. MAE facilities are essentially switching facilities. ISPs pay for ports on the MAE switches and the circuits leading into those ports. The routing function is performed by equipment owned and managed by the ISPs. The router is the only device that connects to a MAE switch.

MCI customers are able, from a single port, to peer within the metropolitan area where they are attached, and/or peer remotely with other MAE customers connected to any of the seven MAE Services Points of Presence ("POPs"), employing either IPv4 or IPv6. If a customer connects at multiple POPs, it can establish Layer 2 Virtual Private Network ("L2VPN") connections for carrying its own traffic between locations. Customers also may purchase Internet connectivity from other MAE customers through MCI's MAE connections.

In the 1990's, MAE Services provided first by predecessors of MCI, and then later by MCI, exchanged a significant amount of Internet traffic. Today, however, most of the traffic exchanges through public interconnection points. For example, Equinix,

PAIX, and NOTA facilitate most of the traffic exchanges at public peering points, with the bulk of the remaining traffic being exchanged via private line or at other regional exchanges.

Significantly less than one percent of the total traffic exchanged between ISPs domestically is exchanged through MCI's MAE Services.